

CITY OF HULL, IOWA
Hull, Iowa

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended
June 30, 2015

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CITY OF HULL, IOWA

OFFICIALS

Name	Title	Term Expires
Roger Vis	Mayor	December, 2015
Roger Buys	Mayor Pro Tem	December, 2015
Mike Broek	Council Member	December, 2015
Ethan Vaas	Council Member	December, 2017
Eric Rankin	Council Member	December, 2017
Joel Leusink	Council Member	December, 2017
Aaron Kooiker	City Administrator	No Term Limit
Dwayne Bonestroo	Deputy Clerk/Treasurer	No Term Limit
DeKoster & DeKoster	Attorney	No Term Limit

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
Hull, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hull, Iowa as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hull, Iowa, as of June 30, 2015, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting

principles generally accepted in the United States of America. Our opinions are not modified with respect to that matter.

Emphasis of a Matter

As disclosed in Note 4 to the financial statements, the City of Hull adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hull, Iowa's basic financial statements. The supplementary information on pages 29 through 30 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information, the City's Management's Discussion and Analysis, the budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability, and the Schedule of the City contributions on pages 4 through 8 and 23 through 28, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 26, 2016 on our consideration of the City of Hull's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Hull's internal control over financial reporting and compliance.

Williams + Company P.C.
Certified Public Accountants

Le Mars, Iowa
April 26, 2016

CITY OF HULL, IOWA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

The City of Hull provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- Receipts of the General Fund increased \$281,488.
- Disbursements of the General Fund decreased \$11,630.
- The City's total General Fund cash basis net position increased \$23,856 for fiscal year 2015.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statements consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the City's nonmajor governmental funds.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position on a cash basis. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, and capital projects. Property tax, state and federal grants, and charges for services finance most of these activities.
- Business-type activities include the electric, water, sewer and gas. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Tax Increment Financing, 3) the Debt Service Fund, and 4) the Capital Projects Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements, and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The city maintains three Enterprise Funds to provide separate information for the Water Fund, Sewer Fund and Solid Waste.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements, and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, to \$3,790,485 from \$951,946. The analysis that follows focuses on the changes in cash balances for governmental activities and business-type activities.

Changes in Cash Basis Net Position of Governmental Activities

	Year Ended June 30,	
	2015	2014
Receipts:		
Program Receipts:		
Charges for Service	\$ 115,136	\$ 129,153
Operating Grants & Contributions	315,011	24,239
Capital Grants & Contributions	500,150	-
General Receipts		
Property Tax	682,223	881,181
Tax Increment Financing Collections	1,063,877	913,347
Local Option Sales Tax	263,320	243,305
Interest	2,606	1,194
Other General Receipts	386,459	1,114,290
Proceeds from Financing	4,246,391	208,445
Total Receipts	<u>7,575,173</u>	<u>3,515,154</u>
Disbursements:		
Public Safety	316,953	308,507
Public Works	214,187	237,112
Culture and Recreation	400,895	462,484
Community and Economic Development	700,228	449,780
General Government	239,164	232,399
Debt Service	545,428	528,913
Capital Projects	1,913,634	1,873,986
Total Disbursements	<u>4,330,489</u>	<u>4,093,181</u>
Change in Cash Basis Net Position Before Transfers	3,244,684	(578,027)
Net Transfers	(406,145)	761,846
Cash Basis Net Position – Beginning of Year	951,946	768,127
Cash Basis Net Position – End of Year	<u>\$ 3,790,485</u>	<u>\$ 951,946</u>

Changes in Cash Basis Net Position of Business Type Activities

	2015	2014
Receipts:		
Operating Receipts:		
Water	\$ 568,532	\$ 557,079
Solid Waste	321,111	254,993
Sewer	324,329	313,531
Interest	1,729	-
Miscellaneous	99,612	-
Total Receipts	<u>1,315,313</u>	<u>1,125,603</u>
Disbursements:		
Water	941,776	620,953
Solid Waste	422,434	216,365
Sewer	396,564	277,134
Total disbursements	<u>1,760,777</u>	<u>1,114,452</u>
Change in Cash Basis Net Position, Before Transfers	(445,464)	11,151
Net Transfers	406,145	94,007
Cash Basis Net Position – Beginning of Year	568,554	463,396
Cash Basis Net Position – End of Year	<u>\$ 529,235</u>	<u>\$ 568,554</u>

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Hull completed the year, its governmental funds reported a combined cash balance of \$3,790,485, an increase of \$2,838,539 over last year's total of \$951,946.

The cash balance in the General Fund increased \$23,856 during 2015 and nothing significant was noted related to the change. The TIF Original Fund cash balance increased \$118,750 during 2015 primarily due to increased property tax within the district. The Water Construction Fund 2015 cash balance increased \$2,507,219 due to the issuance of \$2,810,000 in debt. Those proceeds will be used for water project costs in fiscal year 2016. The Sewer Construction Fund 2015 cash balance increased \$190,241 due to the issuance of debt from the State Revolving Fund.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

As the City of Hull completed the year, its business type funds reported a combined cash balance of \$529,235, a decrease of \$39,319 over last year's total of \$568,554. The decrease is due to increased expenses in the Solid Waste Fund.

BUDGETARY HIGHLIGHTS

In fiscal year 2015 the City amended its budget once, this amendment was approved on June 9, 2015. This amendment increased revenue and other financing sources by \$3,447,612 and expenditures and transfers out by \$3,818,827.

DEBT ADMINISTRATION

A comparison of the City's debt outstanding at June 30, 2015 to June 30, 2014 follows:

	Year Ended June 30,	
	2015	2014
Governmental Activities.....	\$ 8,601,859	\$ 8,082,583
Business Type Activities.....	3,781,000	1,632,609
Total	<u>\$ 12,382,859</u>	<u>\$ 9,715,192</u>

Additional information on the City's long-term debt can be found in Note 3.

ECONOMIC FACTORS

The City purchased a 2014 Chevy Impala for the City office at a cost of \$16,000.

The City purchased wireless controls for a storm siren at a cost of \$8,500.

The City reimbursed Hull Industrial Development Corp. a total of \$570,000 for various development agreements.

The City and Hull Industrial Development Corp paid for the removal of the creamery building which cost approximately \$280,000.

The City made contributions to the Hull Chamber of Commerce totaling \$10,000.

The City updated the code book at a cost of \$6,400.

The City upgraded the waste water infrastructure system at a cost of approximately \$1,750,000 and received a CDBG grant totaling \$500,000 to assist with the costs related to the project.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, contact Aaron Kooiker, City Administrator, Hull, Iowa.

BASIC FINANCIAL STATEMENTS

CITY OF HULL, IOWA
STATEMENT OF ACTIVITIES AND NET POSITION - CASH BASIS
As of and for the Year Ended June 30, 2015

Functions/Programs	Disbursements	Program Receipts	
		Charges for Services	Operating Grants and Contributions
Primary Government:			
Governmental Activities:			
Public Safety	\$ 316,953	\$ 51,859	\$ 28,213
Public Works	214,187	-	248,910
Culture and Recreation	400,895	47,036	18,478
Community and Economic Development	700,228	-	-
General Government	239,164	16,241	19,410
Capital Outlay	1,913,634	-	-
Debt Service:			
Principal	435,000	-	-
Interest and Fees	110,428	-	-
Total Governmental Activities	4,330,489	115,136	315,011
Business-Type Activities:			
Sewer Utility	396,564	324,329	-
Water Utility	941,776	568,532	-
Solid Waste Utility	422,437	321,111	-
Total Business-Type Activities:	1,760,777	1,213,972	-
Total Primary Government	\$ 6,091,266	\$ 1,329,108	\$ 315,011

General Receipts:
 Property taxes
 Tax Increment Financing
 Local Option Sales Tax
 Franchise Taxes/Fees
 Special Assessments
 Interest
 Rental Income
 Miscellaneous
 Proceeds from Financing
 Interfund Transfers
 Total general receipts and transfers
 Change in cash basis net position
 Net position cash basis - beginning
 Cash basis net position, ending

Cash Basis Net Position
 Restricted:
 Streets
 Economic Development
 Debt Service
 Capital Projects
 Employee Benefits
 Unrestricted
 Total Cash Basis Net Position

Net (Disbursements) Receipts and Changes in Net Position			
Capital Grants, and Contributions	Governmental Activities	Business-Type Activities	Total
\$ -	\$ (236,881)		\$ (236,881)
-	34,723		34,723
-	(335,381)		(335,381)
-	(700,228)		(700,228)
-	(203,513)		(203,513)
500,150	(1,413,484)		(1,413,484)
-	(435,000)		(435,000)
-	(110,428)		(110,428)
500,150	(3,400,192)		(3,400,192)
-		\$ (72,235)	\$ (72,235)
-		(373,244)	(373,244)
-		(101,326)	(101,326)
-		(546,805)	(546,805)
\$ 500,150	(3,400,192)	(546,805)	(3,946,997)
	682,223	-	682,223
	1,063,877	-	1,063,877
	263,320	-	263,320
	99,209	-	99,209
	5,603	-	5,603
	2,606	1,729	4,335
	15,980	-	15,980
	265,667	99,612	365,279
	4,246,391	-	4,246,391
	(406,145)	406,145	-
	6,238,731	507,486	6,746,217
	2,838,539	(39,319)	2,799,220
	951,946	568,554	1,520,500
	3,790,485	529,235	4,319,720
	112,979	-	112,979
	795,273	-	795,273
	26,143	6,001	32,144
	2,449,354	-	2,449,354
	42,944	-	42,944
	363,792	523,234	887,026
\$ 3,790,485	\$ 529,235	\$ 4,319,720	

See Accompanying Notes to Financial Statements

CITY OF HULL, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
Governmental Funds
As of and For the Year Ended June 30, 2015

	Special Revenue	
	TIF	
	General	Original
Receipts:		
Property Taxes	\$ 427,347	\$ -
Tax Increment Financing	-	591,409
Local Option Sales Tax	263,320	-
Licenses and Permits	115,450	-
Intergovernmental	75,894	-
Charges for Services	98,895	-
Special Assessments	-	-
Rental of City Property	15,980	-
Interest on Investments	983	-
Miscellaneous	47,347	-
Total Receipts	1,045,216	591,409
Disbursements:		
Public Safety	316,953	-
Public Works	14,338	-
Culture and Recreation	377,612	-
Community and Economic Development	4,941	259,287
General Government	224,516	-
Capital Projects	-	-
Debt Service:		
Principal Retirement	-	-
Interest and Fees	-	-
Total Disbursements	938,360	259,287
Excess (Deficiency) of Receipts to Disbursements	106,856	332,122
Other financing sources (uses):		
Proceeds from Debt Financing	-	-
Bond Discount	-	-
Transfers In	-	-
Transfers Out	(83,000)	(213,372)
Total other financing sources (uses)	(83,000)	(213,372)
Change in Cash Balances	23,856	118,750
Cash Balances Beginning of Year	234,046	327,389
Cash Balances End of Year	\$ 257,902	\$ 446,139
Cash Basis Fund Balances		
Restricted for:		
Debt service	\$ -	\$ -
Economic Development	-	446,139
Streets	-	-
Employee Benefits	-	-
Capital Improvements	-	-
Assigned to:		
Capital Improvements	-	-
Ambulance	33,591	-
Fire Truck	100,170	-
Unassigned	124,141	-
Total Cash Basis Fund Balances	\$ 257,902	\$ 446,139

See Accompanying Notes to Financial Statements

Capital Project		Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds
Water Construction	Sewer Construction			
\$ -	\$ -	\$ 201,881	\$ 52,995	\$ 682,223
-	-	-	472,468	1,063,877
-	-	-	-	263,320
-	-	-	-	115,450
2,198	497,952	4,293	248,910	829,247
-	-	-	-	98,895
-	-	-	5,603	5,603
-	-	-	-	15,980
1,384	-	211	28	2,606
57,900	5,202	-	141,132	251,581
61,482	503,154	206,385	921,136	3,328,782
-	-	-	-	316,953
-	-	-	199,849	214,187
-	-	-	23,283	400,895
-	-	-	436,000	700,228
-	-	-	14,648	239,164
2,198	1,749,304	-	162,132	1,913,634
-	-	435,000	-	435,000
-	-	79,508	-	79,508
2,198	1,749,304	514,508	835,912	4,299,569
59,284	(1,246,150)	(308,123)	85,224	(970,787)
2,810,000	1,436,391	-	-	4,246,391
(30,920)	-	-	-	(30,920)
-	-	313,372	2,581	315,953
(331,145)	-	-	(94,581)	(722,098)
2,447,935	1,436,391	313,372	(92,000)	3,809,326
2,507,219	190,241	5,249	(6,776)	2,838,539
(57,865)	(254,650)	20,894	682,132	951,946
\$ 2,449,354	\$ (64,409)	\$ 26,143	\$ 675,356	\$ 3,790,485
\$ -	\$ -	\$ 26,143	\$ -	\$ 26,143
-	-	-	349,134	795,273
-	-	-	112,979	112,979
-	-	-	42,944	42,944
2,449,354	-	-	-	2,449,354
-	-	-	170,299	170,299
-	-	-	-	33,591
-	-	-	-	100,170
-	(64,409)	-	-	59,732
\$ 2,449,354	\$ (64,409)	\$ 26,143	\$ 675,356	\$ 3,790,485

See Accompanying Notes to Financial Statements

CITY OF HULL, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
Proprietary Funds
As of and For the Year Ended June 30, 2015

	Enterprise			
	Water Utility	Sewer Utility	Solid Waste Utility	Total
Operating Receipts:				
Charges for Services	\$ 568,532	\$ 324,329	\$ 321,111	\$ 1,213,972
Total Operating Receipts	<u>568,532</u>	<u>324,329</u>	<u>321,111</u>	<u>1,213,972</u>
Operating Disbursements:				
Operating Disbursements	554,753	211,271	359,437	1,125,461
Total Operating Disbursements	<u>554,753</u>	<u>211,271</u>	<u>359,437</u>	<u>1,125,461</u>
(Deficiency) of Receipts Over Disbursements	<u>13,779</u>	<u>113,058</u>	<u>(38,326)</u>	<u>88,511</u>
Non-Operating Receipts (Disbursements):				
Interest Income	777	524	428	1,729
Miscellaneous	97,480	-	2,152	99,612
Interest Expense	(17,023)	(42,293)	(500)	(59,816)
Principal Payments	(370,000)	(143,000)	(62,500)	(575,500)
Total Non-Operating Receipts (Disbursements)	<u>(288,786)</u>	<u>(184,769)</u>	<u>(60,420)</u>	<u>(533,975)</u>
(Deficiency) of Receipts Over Disbursements	<u>(275,007)</u>	<u>(71,711)</u>	<u>(98,746)</u>	<u>(445,464)</u>
Transfers In	331,145	-	75,000	406,145
Change in Cash Balances	56,138	(71,711)	(23,746)	(39,319)
Cash Balances Beginning of Year	<u>349,738</u>	<u>134,740</u>	<u>84,076</u>	<u>568,554</u>
Cash Balances End of Year	<u>405,876</u>	<u>63,029</u>	<u>60,330</u>	<u>529,235</u>
Cash Basis Fund Balances				
Restricted for Debt Service	6,001	-	-	6,001
Unrestricted	399,875	63,029	60,330	523,234
Total Cash Basis Fund Balances	<u>\$ 405,876</u>	<u>\$ 63,029</u>	<u>\$ 60,330</u>	<u>\$ 529,235</u>

CITY OF HULL, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Hull is a political subdivision of the State of Iowa located in Sioux County. It was first incorporated in 1835 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, health and social services, community and economic development and general government services. The City also provides water, sewer and solid waste utilities for its citizens.

A. Reporting Entity

For Financial reporting purposes, the City of Hull has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City of Hull has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Northwest Area Solid Waste Agency, Sioux County Communications Commission, Lewis and Clark Rural Water Systems and Northwest Iowa Housing Commission.

B. Basis of Presentation

Government-wide Financial Statements – The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. The effect of interfund activity has been removed from these statements. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in two categories:

Restricted net position results when constraints placed on net position use is either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position that does not meet the definition of the preceding category. Unrestricted net position often has constraints on resources imposed by management, which can be removed or modified.

CITY OF HULL, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

Tax Increment Financing Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the City's general long-term debt.

Capital Project:

Water Construction Fund is used to accumulate resources for the City's water projects.

Sewer Construction Fund is used to accumulate resources for the construction and maintenance of the City's sewer system.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Solid Waste Fund accounts for the operation and maintenance of the City's solid waste system.

C. Measurement Focus and Basis of Accounting

The City of Hull maintains its financial records on the basis of cash receipts and disbursements which is an other comprehensive basis of accounting and the financial

**CITY OF HULL, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and other accrued items as well as fixed assets. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. This, when program disbursements are paid, there is both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, disbursements exceeded the amount budgeted in the Community and Economic Development function and business type activities.

Note 2 – CASH AND POOLED INVESTMENTS

The City's deposits at June 30, 2015 were entirely covered by Federal depository insurance, or by the state sinking fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

CITY OF HULL, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Note 2 – CASH AND POOLED INVESTMENTS (CONTINUED)

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments or time deposits at June 30, 2015.

NOTE 3 – BONDS AND NOTES PAYABLE

The following is a summary of bond transactions of the City for the year ended June 30, 2015:

	Governmental Activities	Business-Type Activities
Primary Government	Bonds and Notes Payable by Debt Service Fund	Bonds and Notes Paid by Enterprise Funds
Bonds and notes payable July 1, 2014	\$ 8,082,583	\$ 1,632,609
Plus: bonds and notes issued	1,585,000	2,661,391
Less: payments	(1,065,724)	(513,000)
Bonds and notes payable June 30, 2015	8,601,859	3,781,000
Due within one year	\$ 1,076,690	\$ 196,000

The City of Hull had the following outstanding bonds and notes payable as of June 30, 2015:

	Date of Issue	Interest Rate	Amount Originally Issued	Balance 6/30/2015	FY 15 Interest	Due Within One Year
General Obligation Capital Loan Notes – Series 2011	10/27/2011	0.5-1.2%	\$ 780,000	\$ 20,000	\$1,873	\$ 20,000
General Obligation Capital Loan Notes – Series 2011	10/27/2011	1.3-2%	2,500,000	2,075,000	61,000	105,000
General Obligation Capital Loan Notes – Series 2011	10/27/2011	0.5-1.2%	300,000	60,000	1,320	60,000
General Obligation Capital Loan Notes – Series 2013A	09/15/2013	2-2.9%	765,000	580,000	15,315	120,000
General Obligation Capital Loan Notes – Series 2013	01/14/2013	5.95%	80,778	67,568	4,370	5,150
General Obligation Renewal Capital Loan Notes- Series 2015B	06/30/2015	2-2.6%	1,585,000	1,585,000	-	115,000
Water Revenue Capital Loan Notes – Series 2015A	06/30/2015	2-3.85%	1,225,000	1,225,000	-	50,000
Sewer Revenue Bond (SRF)	11/08/2000	1.75%	750,000	245,000	5,058	45,000
Sewer Revenue – SAGR (SRF)	06/01/2015	1.75%	2,415,000	2,311,000	37,236	101,000
HIDC Revenue Note (TIF Debt #2)	12/01/2011	0.00%	1,000,000	325,000	-	325,000
HIDC Revenue Note (TIF Debt #1)	12/01/2011	0.00%	50,000	10,000	-	5,000
HIDC Revenue Note (TIF Debt #3)	11/01/2013	0.00%	1,500,000	1,500,000	-	150,000
HIDC Revenue Note (TIF Debt #4)	11/01/2013	0.00%	2,000,000	1,950,000	-	50,000
HIDC Revenue Note (TIF Debt #5)	11/01/2013	0.00%	445,000	265,000	-	53,000
2011 L&C Well Revenue Bond	08/27/2012	4.00%	334,230	164,292	8,007	68,540
Total Bonds and Notes Due			<u>\$15,730,008</u>	<u>\$12,382,859</u>	<u>\$ 134,179</u>	<u>\$ 1,272,690</u>

CITY OF HULL, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3 – BONDS AND NOTES PAYABLE (CONTINUED)

Annual debt service requirements to maturity of General Obligation Bonds and Notes, revolving loan fund loans, special assessment notes and Revenue Capital Loan Notes are as follows:

Year Ending June 30	Capital Loan Series 2011	
	Principal	Interest
2016	\$ 190,000	\$ 60,792
2017	110,000	58,513
2018	110,000	56,918
2019	115,000	54,993
2020	115,000	52,693
2021–2025	625,000	219,035
2026–2030	725,000	114,539
2031–2035	165,000	6,347
Total	\$ 2,155,000	\$ 623,830

Year Ending June 30	Capital Loan Series 2013A		Note Payable Golf Course		Capital Loan Series 2015B	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 120,000	\$ 13,415	\$ 5,150	\$ 4,087	\$ 115,000	\$ 33,235
2017	130,000	11,015	5,472	3,765	120,000	32,280
2018	55,000	8,415	5,802	3,435	120,000	29,880
2019	55,000	7,205	6,152	3,085	125,000	27,480
2020	55,000	5,995	6,515	2,722	130,000	24,980
2021–2025	165,000	9,570	38,478	7,177	680,000	84,105
2026–2030	-	-	-	-	295,000	11,570
Total	\$ 580,000	\$ 55,615	\$ 67,569	\$ 24,271	\$1,585,000	\$243,530

Year Ending June 30	2011 L&C Well		HIDC Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 68,540	\$ 5,324	\$ 583,000	\$ -	\$1,081,690	\$ 116,861
2017	71,333	2,532	583,000	-	1,019,805	108,105
2018	24,417	305	578,000	-	893,219	98,953
2019	-	-	578,000	-	879,152	92,763
2020	-	-	578,000	-	884,515	86,390
2021 – 2025	-	-	1,150,000	-	2,658,478	319,887
2026 – 2030	-	-	-	-	1,020,000	126,109
2031 - 2035	-	-	-	-	165,000	6,347
Total	\$ 164,290	\$ 8,161	\$4,050,000	\$ -	\$8,601,859	\$ 955,407

**CITY OF HULL, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 3 – BONDS AND NOTES PAYABLE (CONTINUED)

Year Ending June 30	2015 SRF Sewer		2000 Sewer Revenue Bond (SRF)		Water Revenue Capital Loan Series 2015A		Total Business Type	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 101,000	\$40,517	\$ 45,000	\$ 4,288	\$ 50,000	\$ 31,916	\$ 196,000	\$ 76,721
2017	103,000	38,753	47,000	3,500	50,000	32,708	200,000	74,961
2018	106,000	36,960	49,000	2,678	50,000	32,208	205,000	71,846
2019	108,000	35,105	51,000	1,820	50,000	31,358	209,000	68,283
2020	110,000	33,215	53,000	928	55,000	30,508	218,000	64,651
2021 – 2025	582,000	136,483	-	-	280,000	135,295	862,000	271,778
2026 – 2030	644,000	83,423	-	-	320,000	96,485	964,000	179,908
2031 - 2036	557,000	24,850	-	-	370,000	40,440	927,000	65,290
Total	\$2,311,000	\$429,306	\$245,000	\$13,214	\$1,225,000	\$430,918	\$3,781,000	\$873,438

NOTE 4 – PENSION PLAN

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa, 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

CITY OF HULL, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 4 – PENSION PLAN (CONTINUED)

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent.

The City's contribution to IPERS for the year ended June 30, 2015 were \$38,359.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$261,342. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.0065897 percent, which was a increase of 0.001022 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City collective pension expense, collective deferred outflows and collective deferred inflows totaled \$19,561, \$14,374 and \$99,668 respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

CITY OF HULL, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 4 – PENSION PLAN (CONTINUED)

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above. Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability	\$ 493,799	\$ 261,342	\$ 65,125

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

**CITY OF HULL, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 – RISK MANAGEMENT

The City of Hull is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City of Hull assumes liability for any deductibles and claims in excess of coverage limitations. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 6 – INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2015, is as follows:

Transfers In	Transfers Out				Total
	General	Water Construction	TIF Original	Nonmajor Governmental	
Debt Service	\$ 83,000	\$ -	\$ 213,372	\$ 17,000	\$ 313,372
Nonmajor Governmental	-	-	-	2,581	2,581
Water	-	331,145	-	-	331,145
Solid Waste	-	-	-	75,000	75,000
Total	\$ 83,000	\$ 331,145	\$ 213,372	\$ 94,581	\$ 722,098

Transfers are used to:

1. Move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.
2. Move revenues restricted to debt service from the fund collecting the revenues to the debt service fund as debt service payments become due.
3. TIF transfers are used to repay debt obligations.

NOTE 7 – DEFICIT BALANCE

The Sewer Construction fund had a deficit balance of \$64,409 at June 30, 2015. The deficit balance was a result of project costs incurred prior to availability of funds.

NOTE 8 – INTERFUND LOANS

The Water fund borrowed \$95,000 to the TIF-Aspen Heights fund in December of 2011. The funds were used for improvements within the district. As of June 30, 2015, the balance due to the Water fund was \$30,000.

OTHER INFORMATION

CITY OF HULL, IOWA
OTHER INFORMATION
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS,
DISBURSEMENTS AND CHANGES IN BALANCES BUDGET AND ACTUAL
(CASH BASIS)- ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
For the Year Ended June 30, 2015

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Total Variance
				Original	Final	
Receipts:						
Property Taxes	\$ 682,223	\$ -	\$ 682,223	\$ 670,819	\$ 670,819	\$ 11,404
TIF Revenue	1,063,877	-	1,063,877	1,088,394	1,088,394	(24,517)
Other City Taxes	263,320	-	263,320	282,533	282,533	(19,213)
Licenses and Permits	115,450	-	115,450	100,250	101,450	14,000
Intergovernmental	829,247	-	829,247	270,664	1,703,716	(874,469)
Charges for Services	98,895	1,213,972	1,312,867	1,372,900	1,366,500	(53,633)
Special Assessments	5,603	-	5,603	-	5,600	3
Use of Money and Property	18,586	1,729	20,315	17,600	17,100	3,215
Miscellaneous	251,581	99,612	351,193	3,691,300	2,911,930	(2,560,737)
Total Receipts	3,328,782	1,315,313	4,644,095	7,494,460	8,148,042	(3,503,947)
Disbursements						
Public Safety	316,953	-	316,953	334,870	333,370	16,417
Public Works	214,187	-	214,187	283,820	283,820	69,633
Culture and Recreation	400,895	-	400,895	418,140	427,220	26,325
Community and Economic Development	700,228	-	700,228	405,000	676,000	(24,226)
General Government	239,164	-	239,164	236,005	250,405	11,241
Capital Projects	1,913,634	-	1,913,634	3,601,500	6,606,350	4,692,716
Debt Service	514,508	-	514,508	608,440	613,440	98,932
Business Type / Enterprises	-	1,760,777	1,760,777	1,265,791	1,662,758	(98,019)
Total Disbursements	4,299,569	1,760,777	6,060,346	7,153,566	10,853,363	4,793,017
Excess (Deficiency) of receipts over disbursements	(970,787)	(445,464)	(1,416,251)	340,894	(2,705,321)	1,289,070
Other financing sources (uses):						
Proceeds from Debt Financing	4,246,391	-	4,246,391	407,237	3,201,287	1,045,104
Bond Discount	(30,920)	-	(30,920)	-	-	(30,920)
Transfers In	315,953	406,145	722,098	-	-	722,098
Transfers (Out)	(722,098)	-	(722,098)	(407,237)	(526,287)	(195,811)
Total other financing sources (uses)	3,809,326	406,145	4,215,471	-	2,675,000	1,540,471
Excess of receipts and other financing sources over disbursements and other financing uses	2,838,539	(39,319)	2,799,220	340,894	(30,321)	2,829,541
Balances Beginning of Year	951,946	568,554	1,520,500	1,520,500	1,520,500	-
Balances End of Year	\$ 3,790,485	\$ 529,235	\$ 4,319,720	\$ 1,861,394	\$ 1,490,179	\$ 2,829,541

**CITY OF HULL, IOWA
NOTES TO OTHER INFORMATION –
BUDGETARY REPORTING
JUNE 30, 2015**

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and Proprietary Funds. Although the adopted budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budget disbursements by \$3,699,797. The budget amendment is reflected in the final budgeted amounts. During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the Community and Economic Development function and business type activities.

CITY OF HULL
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
 THE NET PENSION LIABILITY
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM LAST FISCAL YEAR*
 OTHER INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2015

	2015
City's proportion of the net pension liability	.0065897%
City's proportionate share of the net pension liability	\$ 261,342
City's covered-employee payroll	\$ 429,552
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	60.84%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

*The amounts presented for each fiscal year were determined as of June 30.

**CITY OF HULL
SCHEDULE OF THE CITY CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TEN YEARS
OTHER INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

	2015	2014	2013	2012
Statutorily required contribution	\$ 38,359	\$ 38,506	\$ 31,660	\$ 27,287
Contributions in relation to the statutorily required contribution	(38,359)	(38,506)	(31,660)	(27,287)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City's covered employee payroll	\$ 429,552	\$ 431,203	\$ 365,167	\$ 338,132
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

**CITY OF HULL
NOTES TO OTHER INFORMATION –
PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2015**

Changes of Benefit Terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of Assumptions

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

**CITY OF HULL
NOTES TO OTHER INFORMATION –
PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2015**

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

SUPPLEMENTARY INFORMATION

CITY OF HULL, IOWA
COMBINING SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS AND CHANGES IN CASH BALANCES
Governmental Nonmajor Funds
As of and For the Year Ended June 30, 2015

	Special Revenue		
	Road Use Tax	Employee Benefits	Special Assessment
Receipts:			
Property Taxes	\$ -	\$ 52,995	\$ -
Tax Increment Financing	-	-	-
Intergovernmental	226,162	1,748	-
Special Assessments	-	-	5,603
Interest on Investments	-	28	-
Miscellaneous	-	-	-
Total Receipts	226,162	54,771	5,603
Disbursements:			
Public Works	186,226	13,623	-
Culture and Recreation	-	23,283	-
Community and Economic Development	-	-	-
General Government	-	14,648	-
Capital Projects	-	-	-
Total Disbursements	186,226	51,554	-
Excess (Deficiency) of Receipts over Disbursements	39,936	3,217	5,603
Other financing sources (uses):			
Transfers In	-	-	2,581
Transfers Out	-	-	-
Total other financing sources (uses)	-	-	2,581
Change in Cash Balances	39,936	3,217	8,184
Cash Balances Beginning of Year	67,619	39,727	(2,760)
Cash Balances End of Year	\$ 107,555	\$ 42,944	\$ 5,424
Cash Basis Fund Balances			
Restricted for:			
Economic Development	\$ -	\$ -	\$ -
Streets	107,555	-	5,424
Employee Benefits	-	42,944	-
Assigned to:			
Capital Improvements	-	-	-
Total Cash Basis Fund Balances	\$ 107,555	\$ 42,944	\$ 5,424

Special Revenue			Capital Project		Total Governmental Nonmajor Funds
TIF Industrial Park	TIF Residential	TIF Aspen Heights	Street Construction	Economic Development Construction	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 52,995
227,735	186,754	57,979	-	-	472,468
-	-	-	-	21,000	248,910
-	-	-	-	-	5,603
-	-	-	-	-	28
-	-	-	-	141,132	141,132
227,735	186,754	57,979	-	162,132	921,136
-	-	-	-	-	199,849
-	-	-	-	-	23,283
225,000	186,000	25,000	-	-	436,000
-	-	-	-	-	14,648
-	-	-	-	162,132	162,132
225,000	186,000	25,000	-	162,132	835,912
2,735	754	32,979	-	-	85,224
-	-	-	-	-	2,581
-	(17,000)	-	(77,581)	-	(94,581)
-	(17,000)	-	(77,581)	-	(92,000)
2,735	(16,246)	32,979	(77,581)	-	(6,776)
18,951	271,721	38,994	247,880	-	682,132
\$ 21,686	\$ 255,475	\$ 71,973	\$ 170,299	\$ -	\$ 675,356
\$ 21,686	\$ 255,475	\$ 71,973	\$ -	\$ -	\$ 349,134
-	-	-	-	-	112,979
-	-	-	-	-	42,944
-	-	-	170,299	-	170,299
\$ 21,686	\$ 255,475	\$ 71,973	\$ 170,299	\$ -	\$ 675,356



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

To the Honorable Mayor and
Members of the City Council
City of Hull
Hull, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Hull, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise City of Hull, Iowa's basic financial statements and have issued our report thereon dated April 26, 2016. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Hull's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Hull's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Hull's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items 2015-001 and 2015-002 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Hull's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contract and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an

opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Hull, Iowa's Responses to Finding

The City of Hull's responses to findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the City of Hull's responses and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by the personnel of the City of Hull during the course of our audit. If you have any questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.

Williams + Company P.C.
Certified Public Accountants

Le Mars, Iowa
April, 26, 2016

**CITY OF HULL, IOWA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

Part I – Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II – Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

MATERIAL WEAKNESSES:

2015-001 Financial Accounting – Segregation of Duties

Condition and Criteria – The City accountant is involved in almost all phases of the finance operations, including check preparation, preparation of journal entries, as well as financial reporting and statements. Internal controls should be in place to provide reasonable assurance that individuals' financial accounting duties are properly reviewed.

Effect – Because of insufficient review procedures, the financial accounting is susceptible to an increased risk of errors and omissions and risk of fraud and/or misappropriation of assets.

Cause – With a limited number of personnel and time-constraints, review of all financial accounting activities is not feasible.

Recommendation –The City should implement adequate review procedures where feasible and continued monitoring should be done where implementation is not feasible.

Views of Responsible Officials – The City feels that hiring additional personnel to implement further review procedures would not be cost effective. However, management has and will continue to monitor transactions on a regular basis.

2015-002 Financial Reporting – Material Adjusting Journal Entries

Condition and Criteria –The auditors were required to propose and have management post adjusting journal entries to the fund financial statements to conform with government accounting standards. Management is responsible for the presentation of financial statements in accordance with government accounting standards.

Effect – The financial statements provided by management are not presented entirely in accordance with government accounting standards.

**CITY OF HULL, IOWA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

2015-002 Financial Reporting – Material Adjusting Journal Entries (Continued)

Cause – With a limited number of personnel and current staff workload, the time-constraints and staff expertise do not allow for all required year end adjusting journal entries to be posted.

Recommendation – We recommend that the City train additional business office staff on government accounting standards to help reduce the amount of adjusting journal entries and increase their knowledge of the required reporting standards.

Views of Responsible Officials – The City feels that hiring additional personnel to implement the additional adjusting journal entries would not be cost effective. However, management has and will continue to monitor this process on a regular basis.

Part III – Other Findings Related to Statutory Reporting

2015-003 Certified Budget

Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the Community and Economic Development function and Business-type activities.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

2015-004 Questionable Disbursement

We noted no disbursements that did not meet the requirements of public purpose as defined in the Attorney General's Opinion dated April 25, 1979.

2015-005 Travel Expense

No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

2015-006 Business Transactions

Business Transactions between the City and City officials and/or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction/Description</u>	<u>Amount</u>
Roger Buys, Mayor Pro Tem, Employee of Buys & Hoksbergen	Labor, Material	\$ 8,190 (1)

Council Member, Mike Broek, is a manager at Iowa State Bank who the City does business with.

(1) This transaction may represent a conflict of interest and the City should contact legal counsel for determination.

**CITY OF HULL, IOWA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

Part III – Other Findings Related to Statutory Reporting (Continued)

2015-007 Bond Coverage

Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

2015-008 Council Minutes

No transactions were found that we believe should have been approved in the Council minutes but were not.

2015-009 Revenue Notes

The City was in compliance with the requirements of its revenue notes.

2015-010 Deposits and Investments

No instances of noncompliance with deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policies were noted.

2015-011 Urban Renewal Annual Report

The urban renewal annual report was approved and certified to the Iowa Department of Management on or before December 1.